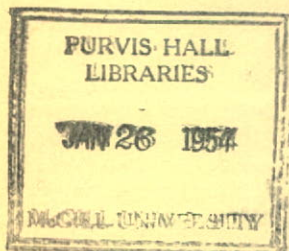


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Agnew-Surpass

SHOE STORES LIMITED

BRANTFORD - ONTARIO



20th
Annual Report

FOR THE YEAR ENDED MAY THIRTY-FIRST, NINETEEN FORTY-EIGHT

AGNEW - SURPASS SHOE STORES, LIMITED

BOARD OF DIRECTORS

LEETA L. BAUSLAUGH	K. R. GILLELAN
J. L. EDMONDSON	R. KARN
H. H. GIBAUT	W. D. MUIR

*A. L. SCOTT

OFFICERS

R. KARN, President and General Manager

*A. L. SCOTT, Vice-President

K. R. GILLELAN, Secretary-Treasurer

W. D. MUIR, Assistant Secretary-Treasurer

REGISTRAR and TRANSFER AGENTS

NATIONAL TRUST COMPANY LIMITED

BANKERS

BANK OF NOVA SCOTIA

AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON

* Died September 16th, 1947.

DIRECTORS' REPORT

To the Shareholders of Agnew-Surpass Shoe Stores, Limited:

The Board of Directors submits herewith the Twentieth Annual Report of your Company and its Subsidiary for the fiscal year ended May 31st, 1948, together with Consolidated Statement of Earned Surplus, Profit & Loss Account and Consolidated Balance Sheet as at May 31st, 1948.

Total volume of business for Agnew-Surpass Shoe Stores, Limited for its fiscal year ended May 31st, 1948, was \$9,021,766. After eliminating inter-company sales, sales amounted to \$8,388,978 compared with \$6,986,816 for the previous year. This is a 20% increase over the sales for the previous year. This current year marks the largest year in the history of your Company, both from the standpoint of dollar volume and profits.

Net profits for the year, after providing for taxes on income, amounted to \$518,160 which is equivalent to \$1.28 per share on the 402,944 shares of Common Stock issued, compared with \$1.02 for the previous year.

Dividends were declared during the fiscal year amounting to \$203,486 being equivalent to 50½ cents per Common Share.

Supplementary Letters Patent having been granted, the amount of \$308,800 has been retransferred from Capital Surplus to Earned Surplus and the issued capital now stands at 402,944 shares.

Current assets at the end of the fiscal year were \$3,295,488 and current liabilities were \$959,820, resulting in a net working capital of \$2,335,668, which is an increase over the previous year of \$725,992.

Additions were made to the fixed assets during the year at a cost of \$144,148. Of this sum \$18,849 was expended for new machinery, equipment and modernization of the factory and \$125,299 for new store equipment and store fronts.

To provide additional funds for these capital expenditures and for increased inventories largely caused by price increases and additional sales volume, financing was arranged with the Company's bankers of which \$500,000 was owing at May 31st, 1948 by note maturing subsequent to May 31st, 1949.

It is expected that the first payment of \$73,340 on account of taxes refundable to your Company under the Excess Profits Tax Act will be received in March, 1949.

During the year new stores were opened at Winnipeg, Drummondville, Rouyn and Fort William. Also, new stores have been opened in Moncton and New Glasgow replacing former locations. Due to our inability to renew expired leases, stores were closed in Toronto, Port Hope and Hamilton. As of May 31st last, 85 stores were in operation. Leases have been signed for four new locations and these will be put into operation as soon as possession is obtained.

AGNEW - SURPASS SHOE STORES, LIMITED

While shoe production for the entire industry in Canada has shown a decline, the pairage production of your wholly owned subsidiary, The John Ritchie Company, Limited, has been increasing at the rate of approximately fifteen percent. During the year our percentage of the total volume of Good-year welt shoes produced in Canada has been the highest in the history of your Company.

Price trends have been upward during the year and your Company has continued to price its shoes on as conservative a basis as possible. Notwithstanding these increases our customers are obtaining outstanding values compared with other essential products.

A brief comparison of the fiscal year under review with the 1939 fiscal year indicates:

	<u>1948</u>	<u>1939</u>
Your Company sold products valued at	\$8,388,978.13	\$2,807,470.45
Employees were paid wages, salaries and		
Commissions	1,650,797.65	615,938.37
Provision was made for Municipal, Provincial and		
Federal Taxes	433,198.40	64,235.61
Net Profits for the year	518,160.44	150,623.23
Shareholders received	203,486.72	125,081.80
Retained in the business to renew equipment, for		
general expansion and modernization	314,673.72	25,541.43

Your company gives employment to 1,052 employees, many of whom are shareholders of the company. As at May 31st last, there were 902 shareholders.

Your company suffered a grievous loss in the untimely death of Mr. A. L. Scott who had been associated with the company for a great many years. Mr. Scott was a Director of your company and for the past two years had served as Vice-President in charge of the Maritime Division.

Your directors once again, record with gratitude, the loyal co-operation and the fine spirit with which your Department Officials, Store Managers and Employees carried out their various duties throughout the year.

The accounts and records of the company have been audited by Messrs. Thorne, Hulholland, Howson & McPherson, Chartered Accountants, Toronto, Ontario and their report is presented herewith.

On behalf of the Board of Directors,

ROY KARN,
President.

Brantford, Ontario.
July 6, 1948.

AGNEW-SURPASS SH

AND ITS WHOLLY
THE JOHN RITCHIE
(Both Incorporated under the L

Consolidated

ASSETS

	May 31, 1948	May 31, 1947
Current Assets:		
Cash on hand and in banks	\$ 184,083.68	\$ 2,402.20
Equity in Bonds and Shares held for Employees	2,598.75	23,987.10
Accounts and Bills Receivable, less Reserve for Bad Debts	472,704.15	281,820.97
Merchandise Inventories, determined by physical stock-taking for subsidiary company and book inventories, periodically verified, for stores and warehouses, and valued at the lower of cost or market as certified by the management	2,623,186.71	2,390,779.46
Prepaid Expenses and Accrued Revenue	12,915.01	18,172.97
	<u>\$3,295,488.30</u>	<u>\$2,717,162.70</u>
Life Insurance and Fire Insurance Deposits	<u>\$ 18,293.79</u>	<u>\$ 17,607.21</u>
Refundable Portion of Excess Profits Tax	<u>\$ 289,191.96</u>	<u>\$ 289,191.96</u>
Fixed Assets at depreciated appraisal values per appraisals of Canadian Appraisal Company, Limited, dated May 17 and 18, 1928, plus subse- quent additions at cost (except for Lasts, Dies and Patterns which are shown at nominal value):		
Land	\$ 67,615.00	\$ 68,115.00
Buildings	224,658.78	233,709.71
Plant, Machinery, etc.	128,499.14	109,650.14
Furniture and Fixtures	360,495.04	281,328.65
Improvements to Leasehold Properties	87,580.91	47,369.06
Lasts, Dies and Patterns	33,000.00	33,000.00
	<u>\$ 901,848.87</u>	<u>\$ 773,172.56</u>
Less Reserve for Depreciation	<u>498,962.33</u>	<u>458,281.84</u>
	<u>\$ 402,886.54</u>	<u>\$ 314,890.72</u>
Patents under Lease and Producing Revenue	<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>
	<u><u>\$4,020,860.59</u></u>	<u><u>\$3,353,852.59</u></u>

Approved: ROY KARN H. H. GIBAUT
Directors of Agnew-Surpass Shoe Stores, Limited.

SHOE STORES, LIMITED

OWNED SUBSIDIARY

COMPANY, LIMITED

(Incorporated in the Dominion of Canada)

Balance Sheet

LIABILITIES

	May 31, 1948	May 31, 1947
Current Liabilities:		
Accounts Payable	\$ 470,956.41	\$ 721,515.52
Accrued Wages and Expenses	141,030.40	99,449.24
Provision for Taxes on Income, etc.	295,450.97	236,153.46
Dividend Payable	52,382.72	50,368.00
	<u>\$ 959,820.50</u>	<u>\$1,107,486.22</u>
Bank Loan Maturing Subsequent to May 31st, 1949	<u>\$ 500,000.00</u>	
Fire Insurance Reserve	<u>\$ 25,817.78</u>	<u>\$ 25,817.78</u>
Capital Stock and Surplus:		
Capital Stock:		
Authorized, 600,000 common shares of no par value:		
Issued, 402,944 shares	\$ 957,656.14	\$ 957,656.14
Capital Surplus		308,800.00
Earned Surplus	1,577,566.17	954,092.45
	<u>\$2,535,222.31</u>	<u>\$2,220,548.59</u>

Note:

The provision made in prior years by the subsidiary company for excess profits tax has been calculated after the application of an inventory reserve as permitted by the Act, which reserve is not recorded in the books nor included in the above statement.

<u>\$4,020,860.59</u>	<u>\$3,353,852.59</u>
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accounts of Agnew-Surpass Shoe Stores, Limited and its subsidiary company for the year ended May 31, 1948, our examination of the individual store records consisting of a test of the periodic cash reports.

We have obtained all the information and explanations we have required and report that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the combined affairs of said companies, according to the best of our information and the explanations given us, and as shown by their books.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Toronto, Canada, July 6, 1948.

Chartered Accountants.

AGNEW-SURPASS SHOE STORES, LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
THE JOHN RITCHIE COMPANY, LIMITED

Consolidated Profit & Loss and Earned Surplus Account

	Year Ended	
	May 31, 1948	May 31, 1947
Net Operating Profit for year, after deducting remuneration of executives and legal fees of \$129,892 for the 1948 period	\$ 968,004.95	\$ 855,131.45
Deduct:		
Provision for Income and Excess Profits Taxes	\$ 403,733.65	\$ 408,951.92
Provision for Depreciation	45,800.86	32,594.21
Directors' Fees (other than Executives)	310.00	345.00
	<u>\$ 449,844.51</u>	<u>\$ 441,891.13</u>
Net earnings for year	\$ 518,160.44	\$ 413,240.32
Amount Transferred back from Capital Surplus upon Granting of Supplementary Letters Patent	308,800.00	
Earned Surplus at beginning of year	954,092.45	1,080,974.57
	<u>\$1,781,052.89</u>	<u>\$1,494,214.89</u>
Deduct:		
Dividends on Common Stock	\$ 203,486.72	\$ 191,398.40
Premium on redemption of Preferred Stock		14,450.00
Net Adjustments relating to prior periods		25,474.04
Amount Transferred to Capital Surplus as required under Section 61 of The Companies Act, 1934, created as a result of the redemption of Preferred Shares		308,800.00
	<u>\$ 203,486.72</u>	<u>\$ 540,122.44</u>
Earned Surplus, as per Balance Sheet	<u><u>\$1,577,566.17</u></u>	<u><u>\$ 954,092.45</u></u>

AGNEW-SURPASS SHOE STORES, LIMITED

ONTARIO

Barrie	Midland	Timmins
Belleville	Napanee	Toronto
Brantford	Niagara Falls	563 Bayview Ave.
166 Colborne St.	515 Queen St.	952 Bloor St. W.
16 Market St.	1904 Main St. So.	505 Danforth Ave.
Brockville	North Bay	686 Danforth Ave.
Chatham	Orillia	2040 Danforth Ave.
Cobourg	Oshawa	2948 Dundas St. W.
Dunnville	Ottawa	1895 Eglinton Ave.
Fort William	Peterborough	992 St. Clair Ave. W.
Galt	330 George St.	1232 St. Clair Ave. W.
Goderich	385 George St.	252 Yonge St.
Guelph	Port Colborne	729 Yonge St.
Hamilton	Sarnia	1425 Yonge St.
79 King St. E.	Sault Ste. Marie	2512 Yonge St.
272 Ottawa St. N.	Simcoe	3430 Yonge St.
Ingersoll	Smith's Falls	Wallaceburg
Kingston	Stratford	Welland
Kitchener	Sudbury	Whitby
Leamington	52 Borgia St.	Windsor
Lindsay	Elm St.	359 Ouellette Ave.
Listowel	St. Catharines	1528 Wyandotte St. E.
London	St. Thomas	Woodstock

QUEBEC

Chicoutimi	Quebec
Drummondville	10 St. John St.
Montreal	Rouyn
897 St. Catherine St. W.	Val d'Or

NEW BRUNSWICK

Campbellton
Fredericton
Moncton
701 Main St.
906 Main St.
Saint John
677 Main St.
187-189 Union St.
St. Stephen

NOVA SCOTIA

Amherst
Glace Bay
Halifax
New Glasgow
Springhill
Sydney
Truro
Windsor

PRINCE EDWARD ISLAND

Charlottetown

MANITOBA

Winnipeg
